



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0316629

APPLICATION OF EXCO OPERATING COMPANY, LP (256515) FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR THE BOLL-CALVERT UNIT, WELL NO. 2H, IN THE BRISCOE RANCH (EAGLEFORD) FIELD, FRIO COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: February 27, 2019

CONFERENCE DATE: May 21, 2019

APPEARANCES:

Dale E. Miller
G Tyson McClead

REPRESENTING:

EXCO Operating Company, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EXCO Operating Company, LP ("EXCO") seeks a two-year exception to Statewide Rule 32 (16(16, Tex. Admin. Code §3.32) to flare casinghead gas from the Boll-Calvert FRO Unit Lease ("Lease") and the associated Well No. 2H, in the Briscoe Ranch (Eagleford) Field, Frio County, Texas.

The Lease is not connected to a sales pipeline. The closest sales pipeline is 5.79 miles from Well No. 2H, located on the Boll-Calvert Unit (19290) Lease. EXCO has performed a feasibility study and determined that connecting to the sales pipeline is uneconomic at this time.

EXCO is seeking flaring authority to ensure legal disposition of all casinghead gas produced from the Lease and the associated well. EXCO is requesting an exception to flare 200 thousand cubic feet per day ("MCFD") of casinghead gas from Well No. 2H, for a period of two years.

Notice was provided to off-set operators. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 ("SWR 32") governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, SWR 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCFD may be granted administratively for a period up to 180 days. SWR 32(j), *Opportunity for Hearing*, states that an operator may request a hearing on any application for an exception or exception renewal required by this section. Beyond that, SWR 32(h) provides that exceptions shall be granted only in a final order signed by the Commission.

EXCO applied for a 180-day flaring exception in June of 2018. On February 11, 2019, EXCO also applied for a permanent exception to SWR 32, because production of casinghead gas from Well No. 2H (API No. 42-164-34107) decreased to volumes below 50 MCFD. In order to be compliant with SWR 32, EXCO is seeking an exception to flare 200 MCFD of casinghead gas from Well No. 2H, Briscoe Ranch (Eagleford) Field, Frio County, Texas, for a two-year period.

The Lease is currently developed with one producing oil well, Well No. 2H, which commenced production of oil and gas on June 3, 2018. The Lease is not connected to a sales pipeline. The closest sales pipeline is 5.79 miles from Well No. 2H. EXCO has performed a feasibility study assessing the costs of building a pipeline and sending the casinghead gas to market and determined it to be uneconomic at this time. The feasibility study shows a loss of \$6,602,473.57, to build and connect Well No. 2H to the sales pipeline.

EXCO agreed that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

The Examiners recommend that EXCO's request be approved.

FINDINGS OF FACT

1. Proper notice of this hearing was provided and no protests were received.
2. The Boll-Calvert Unit FRO (19290) Lease ("Lease") is in Frio County, Texas.
3. The Lease is currently developed with one producing oil well, Well No. 2H, which commenced production on June 3, 2018.
4. The Lease is not connected to a gas gathering or sales pipeline. The closest sales pipeline is 5.79 miles from Well No. 2H. EXCO has performed a feasibility study assessing the costs of building a pipeline and sending the casinghead gas to market and determined connecting to a sales pipeline is uneconomic at this time. The feasibility study shows a loss of \$6,602,473.57, to build and connect Well No. 2H to the closest sales pipeline.
5. Flaring the casinghead gas allows EXCO to continue to produce liquid hydrocarbons from the well, thereby preventing waste and protecting correlative rights.
6. In the hearing, EXCO agreed on the record that the Final Order in this docket, if not adverse, is to be final and effective when the Master order is signed.

CONCLUSIONS OF LAW

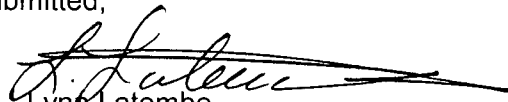
1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Title 16, Texas Administrative Code 3.32(h) provides for an exception to SWR 32.
4. EXCO agreed that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant EXCO's request for a SWR 32 exception to flare a maximum of 200 MCFD from the flare stack servicing the Lease, effective June 14, 2018 to June 13, 2020.

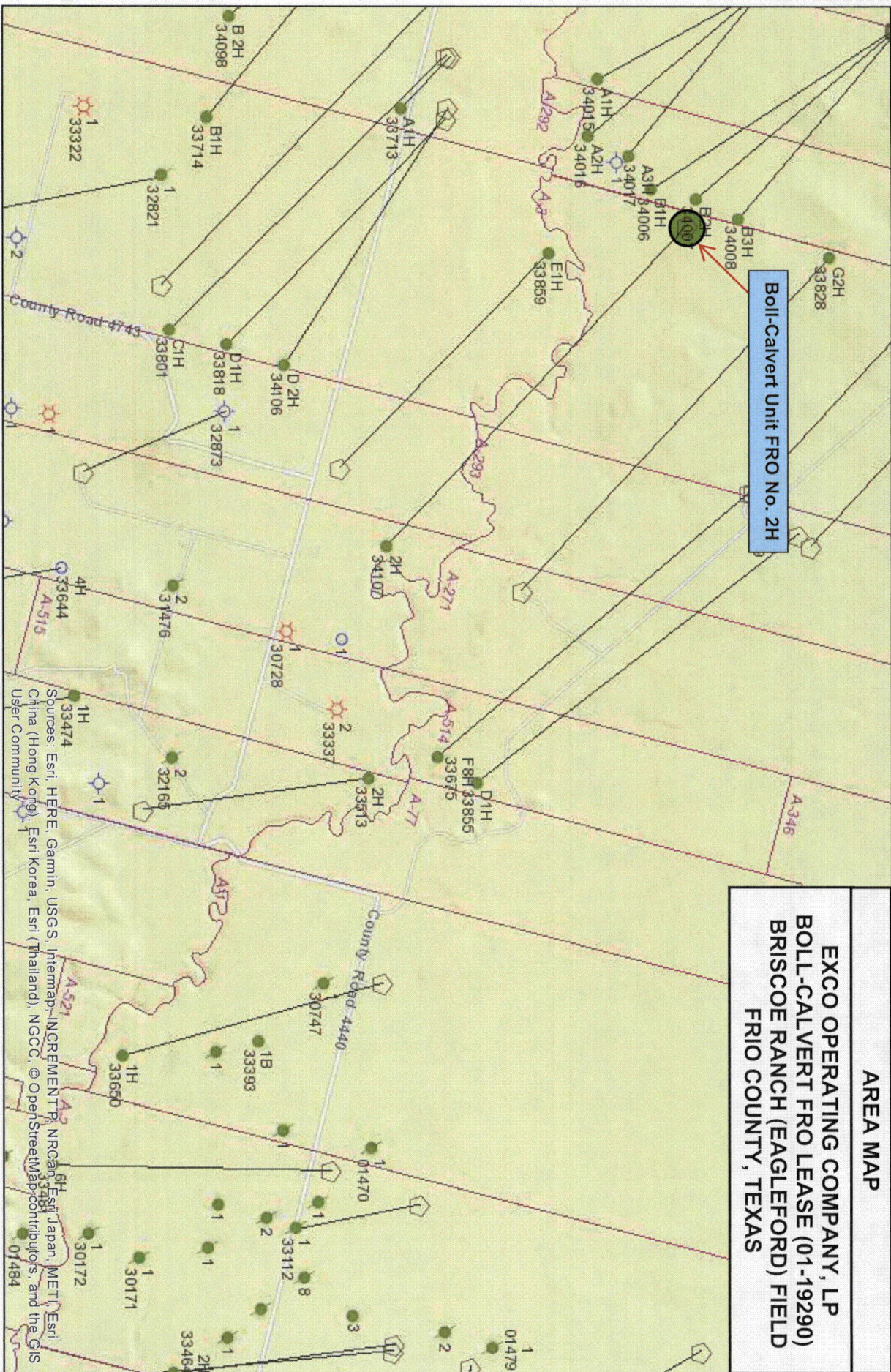
Respectfully submitted,


Robert Musick, P.G.
Technical Examiner


Lynn Latombe
Administrative Law Judge

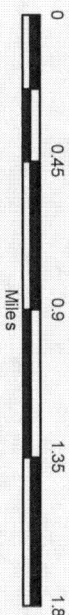
AREA MAP

EXCO OPERATING COMPANY, LP
BOLL-CALVERT FRO LEASE (01-19290)
BRISCOE RANCH (EAGLEFORD) FIELD
FRIO COUNTY, TEXAS



February 15, 2019

1 inch = 3,009 feet



RAILROAD COMMISSION of TEXAS

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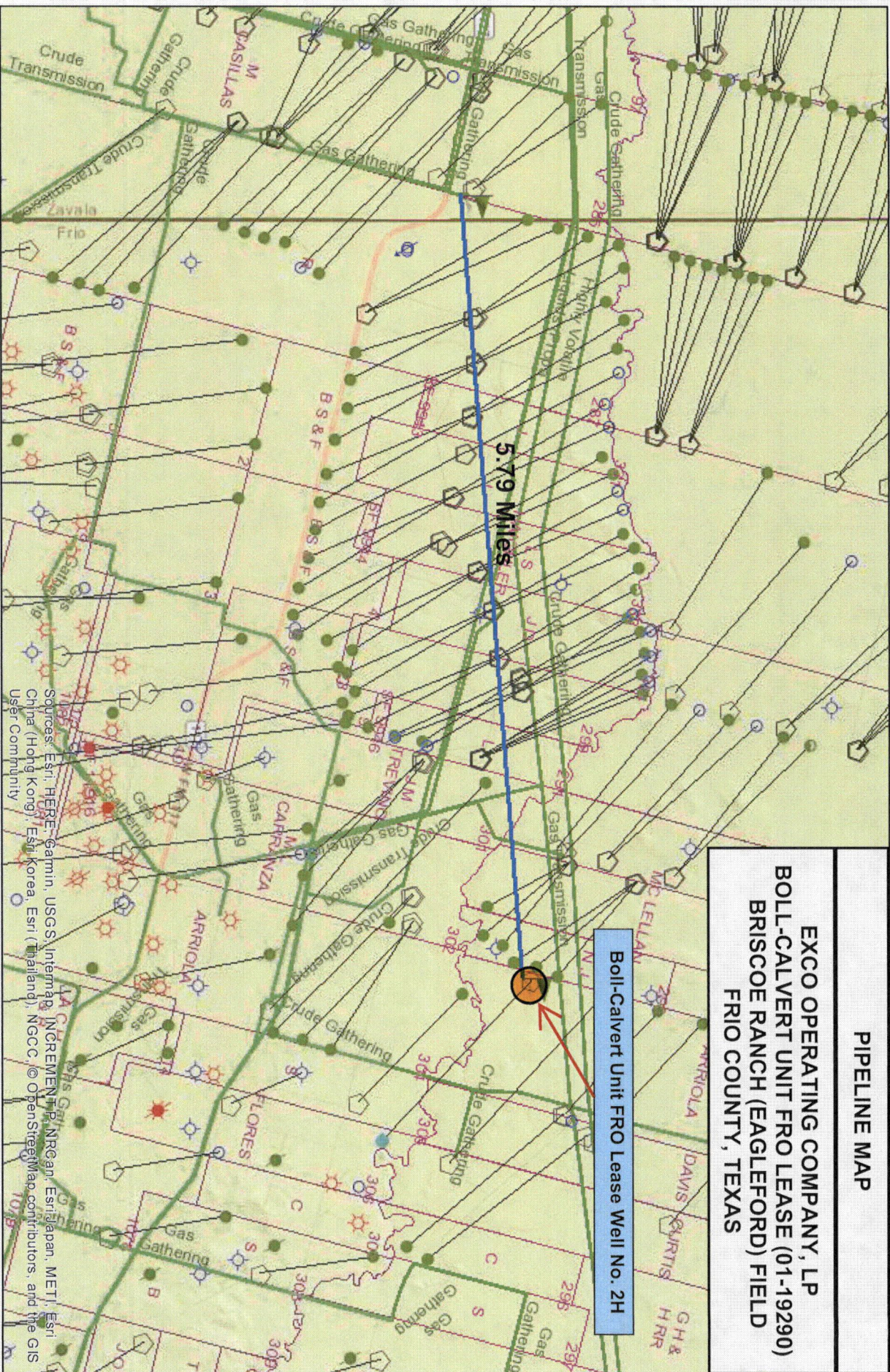
Source: RRC Public GIS Viewer

OPERATOR: EXCO OPERATING COMPANY, LP
EXHIBIT NO.: 1
DOCKET NO.: 01-0316629
DATE: FEBRUARY 27, 2019

PIPELINE MAP

EXCO OPERATING COMPANY, LP
BOLL-CALVERT UNIT FRO LEASE (01-19290)
BRISCOE RANCH (EAGLEFORD) FIELD
FRIO COUNTY, TEXAS

Boll-Calvert Unit FRO Lease Well No. 2H



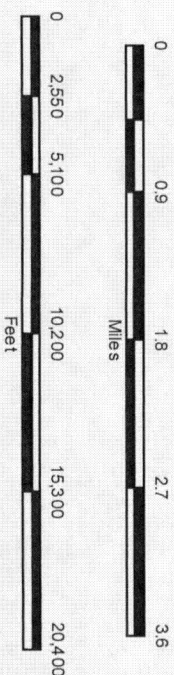
February 20, 2019

1 inch = 6,019 feet

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OPERATOR: EXCO OPERATING COMPANY, LP
EXHIBIT NO.: 2
DOCKET NO.: 01-0316629
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